

DIA, OSD and DOS review(s) completed.

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GENERAL

1. Prospects dim for Azores bases on US terms--Culbertson reports from Lisbon that the Portuguese are still "adamant" in refusing to consider the 30 May agreement in connection with the current long-term discussions. The Portuguese do not regard the present US long-term proposal as a basis for negotiations. Their "commission" does not consider the US proposed political formula adequate and the Portuguese generally insist that foreign troops will not be permitted to "occupy" Portugal, even if a satisfactory political formula is found.

In view of strong assurances from a British official in Washington of British willingness to assist the US negotiations, Culbertson recommends that the British "go whole hog," possibly presenting to the Portuguese the exact proposal which US negotiators have submitted. Culbertson adds, however, that in his opinion the US already has "pretty much the Portuguese answer," and even an all-out British move will not alter the Portuguese stand.

2. French oppose US broadcasting from Tangier--Acheson has informed US Legation Tangier of a French Government note expressing the fear that "grave consequences" will follow the projected installation in Tangier, by a US citizen or corporation, of a private commercial broadcasting station. The French contend that such an installation would inspire similar action in Tangier by other countries, and thus introduce a "permanent cause of agitation" into North Africa and neighboring lands.
3. Soviet attempts to deflect attention from troops in Germany--General McNarney reports that recent transfers of Soviet troops from Austria and Hungary to Germany have been greater than was originally believed (see Daily Summary of 30 July, item 3). In the Berlin area HQ are being prepared for an army of 100,000.

McNarney adds that Soviet propaganda is attempting to deflect attention from Soviet activity in Germany, Austria and the Balkans and is increasing its attacks against US policy in Japan and China. McNarney believes that this indicates a "possible early shift of emphasis in foreign policy to the Middle and Far East."

4. Soviets believed violating air clearance agreements--US Military Attaché Moscow reports that in the past months the Soviets have carried out a large number of flights between Berlin and Paris in apparent violation of

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existing agreements for flight clearances over occupied areas. The MA believes that appropriate authorities in Germany should bring violations of agreed procedure to the attention of Soviet authorities, especially in view of the Soviet stand regarding US aircraft clearances into the Balkans and into the USSR.

EUROPE-AFRICA

5. **BULGARIA:** Soviet attitude becomes conciliatory--General Robertson, US Representative ACC, reports that General Biryusov, Soviet Acting Chairman ACC, recently has been "most conciliatory and polite" in marked contrast to his attitude during the past month. Biryusov met all of Robertson's major objections to a recent order curtailing the food supply of the US Mission. Robertson adds that the Bulgarian militia has made no new arrests of his Bulgarian employees and that clearances for US aircraft have also improved. Robertson attributes this change in attitude to instructions from Moscow.
6. **POLAND:** Mikolajczyk refuses Government pre-election offer--US Ambassador Lane has been informed by the British Charge that Mikolajczyk has refused the Government's offer to grant the Polish Peasant Party a 25% representation in the Government after the election, provided that Mikolajczyk personally is excluded from the Government.
7. **CZECHOSLOVAKIA:** Soviets refuse support to claims on Silesia--US Ambassador Steinhardt has been reliably informed that in recent Moscow talks the Soviets refused to support Czechoslovak territorial claims against Polish-occupied Silesia. The Soviets also were "noncommittal" on Czechoslovak claims for territory along the Bavarian border.
8. **IRAN:** Formation of new Cabinet--US Ambassador Allen reports, on the basis of "fairly well-substantiated information," that at a Cabinet meeting held without Qavam on the evening of 31 July, Prince Firuz without warning presented Qavam's request for the resignation of all members. Qavam told Allen during the same evening that he proposed to make one more effort to unite Iran (including Azerbaijan) by conciliatory means before resorting to "appropriate other measures." (The NY Times reports that on 1 August Qavam presented to the Shah a new Cabinet which included three members of the Tudeh Party as well as Prince Firuz.)

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9. FRANCE: Bidault criticizes De Gaulle--According to Embassy London, Bidault has remarked to the British Ambassador Paris that De Gaulle, in his 28 July speech, said "everything he should not have said." Bidault also stated that De Gaulle and he both favored a Franco-British alliance, but De Gaulle does not want Bidault to have the credit for bringing it about.
10. ALGERIA: Local situation expected to remain calm--US Consulate General Algiers states that he does not share the anxiety over possible local disorders, despite "certain views to the contrary" and TWA's concern for its employees' safety.

FAR EAST

11. SIAM: US urges acceptance of French proposals--Acheson has directed Legation Bangkok to urge Siam to accept the French proposals for referring the Indochina-Siam border dispute to the International Court and placing the disputed territories under a third power, pending Court decision.

Departure of UN delegation delayed--US Legation Bangkok reports that the Siamese Government has postponed until 7 August the departure of its delegation to the UN in order to permit consideration of the French proposals. The Legation has been informed that, if the French proposals are not received by that time, the delegation will proceed in any case but will have power to make decision on referring the disputed territory issue to the International Court, provided the Security Council so rules.
12. CHINA: Marshall favors delay in granting US credits--General Marshall has expressed agreement with the Export-Import Bank that recent Chinese applications for credits should not be considered pending clarification of the Chinese political situation. (The Chinese Supply Commission applied last month for credits of US \$31 million to modernize the North China port of Tangku and to rehabilitate coal mines in Jehol Province and cement plants and oil refining facilities in Formosa.)

Marshall further believes that the present situation does not warrant reversing the US decision, made last April, to defer definite commitment on the US \$500 million Export-Import credit to China, except as such credit is applied to urgently needed rehabilitation of Chinese communications.

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